

**VILLAGE OF PEEBLES
ADAMS COUNTY, OHIO**

**AUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2007 AND 2006**



Mary Taylor, CPA

Auditor of State

Village Council
Village of Peebles
34 South Nixon
P.O. Box 430
Peebles, Ohio 45660

We have reviewed the *Independent Auditors' Report* of the Village of Peebles, Adams County, prepared by Bastin & Company, LLC, for the audit period January 1, 2006 through December 31, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditors' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditors' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Peebles is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

November 14, 2008

This Page is Intentionally Left Blank.

**VILLAGE OF PEEBLES
ADAMS COUNTY, OHIO**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditors' Report.....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types For the Year Ended December 31, 2007.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Proprietary and Similar Fiduciary Fund Type For the Year Ended December 31, 2007.....	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types For the Year Ended December 31, 2006.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Proprietary and Similar Fiduciary Fund Type For the Year Ended December 31, 2006.....	6
Notes to the Financial Statements.....	7
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	15
Schedule of Findings.....	17
Schedule of Prior Audit Findings	20

This Page is Intentionally Left Blank.

Bastin & Company, LLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

The Honorable Members of Village Council
Village of Peebles
34 South Nixon
Peebles, Ohio 45660

We have audited the accompanying financial statements of the Village of Peebles, Adams County, Ohio, (the Village) as of and for the years ended December 31, 2007 and 2006. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2007 and 2006. Instead of the combined funds the accompanying financial statements present for 2007 and 2006, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2007 and 2006. While the Village does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require, governmental units to reformat their statements. The Village has elected not to reformat its statements. Since the Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2007 and 2006 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2007 and 2006, or their changes in financial position or cash flows, where applicable, for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2007 and 2006. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 9, 2008, on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

A handwritten signature in cursive script that reads "Bastin & Company, L L C". The signature is written in black ink on a light-colored background.

Cincinnati, Ohio
September 9, 2008

**VILLAGE OF PEEBLES
ADAMS COUNTY, OHIO**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$ 168,729	\$ 71,377	\$ 240,106
Intergovernmental Receipts	29,307	87,104	116,411
Special Assessments	-	28,519	28,519
Charges for Services	5,653	48,100	53,753
Fines, Licenses, and Permits	30,176	1,325	31,501
Earnings on Investments	1,328	1,328	2,656
Miscellaneous	24,631	-	24,631
	<u>259,824</u>	<u>237,753</u>	<u>497,577</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
Security of Persons and Property	118,102	122,008	240,110
Transportation	-	92,269	92,269
General Government	127,859	-	127,859
Debt Service:			
Principal	936	1,500	2,436
Interest and Fiscal Charges	-	2,964	2,964
	<u>246,897</u>	<u>218,741</u>	<u>465,638</u>
Total Cash Disbursements			
Total Receipts Over Disbursements	12,927	19,012	31,939
Fund Cash Balances, January 1	<u>72,665</u>	<u>127,454</u>	<u>200,119</u>
Fund Cash Balances, December 31	<u>\$ 85,592</u>	<u>\$ 146,466</u>	<u>\$ 232,058</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF PEBBLES
ADAMS COUNTY, OHIO**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Proprietary Fund Types	Fiduciary Fund Types	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts:			
Charges for Services	\$ 739,163	\$ -	\$ 739,163
Total Operating Cash Receipts	739,163	-	739,163
Operating Cash Disbursements:			
Personal Services	326,671	-	326,671
Contractual Services	72,484	-	72,484
Supplies and Materials	225,930	-	225,930
Other	1,900	-	1,900
Total Operating Cash Disbursements	626,985	-	626,985
Operating Income	112,178	-	112,178
Non-Operating Cash Receipts:			
Proceeds from Loan	14,895	-	14,895
Earnings on Investments	98	-	98
Other Non-Operating Receipts	-	35,207	35,207
Total Non-Operating Cash Receipts	14,993	35,207	50,200
Non-Operating Cash Disbursements:			
Debt Service - Principal	37,411	-	37,411
Debt Service - Interest	44,989	-	44,989
Capital Outlay	14,895	-	14,895
Other Non-operating Cash Disbursements	-	34,860	34,860
Total Non-Operating Cash Disbursements	97,295	34,860	132,155
Excess of Receipts Over (Under) Disbursements Before Interfund Transfers	29,876	347	30,223
Transfers-In	88,860	-	88,860
Transfers-Out	(88,860)	-	(88,860)
Net Receipts Over (Under) Disbursements	29,876	347	30,223
Fund Cash Balances, January 1	238,474	2,135	240,609
Fund Cash Balances, December 31	\$ 268,350	\$ 2,482	\$ 270,832

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF PEBBLES
ADAMS COUNTY, OHIO**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$ 137,721	\$ 69,365	\$ 207,086
Intergovernmental Receipts	29,723	90,832	120,555
Special Assessments	-	22,399	22,399
Charges for Services	4,290	48,100	52,390
Fines, Licenses, and Permits	32,399	550	32,949
Earnings on Investments	1,820	3,860	5,680
Miscellaneous	20,761	-	20,761
	<u>226,714</u>	<u>235,106</u>	<u>461,820</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
Security of Persons and Property	106,184	144,634	250,818
Transportation	-	133,569	133,569
General Government	129,004	-	129,004
Debt Service:			
Principal	1,841	1,500	3,341
Interest and Fiscal Charges	138	690	828
	<u>237,167</u>	<u>280,393</u>	<u>517,560</u>
Total Cash Disbursements			
Total Receipts Over (Under) Disbursements	(10,453)	(45,287)	(55,740)
Other Financing Receipts:			
Proceeds from Sale of Bonds	-	84,000	84,000
	<u>-</u>	<u>84,000</u>	<u>84,000</u>
Total Other Financing Receipts			
Excess of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements	(10,453)	38,713	28,260
Fund Cash Balances, January 1	<u>83,118</u>	<u>88,741</u>	<u>171,859</u>
Fund Cash Balances, December 31	<u>\$ 72,665</u>	<u>\$ 127,454</u>	<u>\$ 200,119</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF PEEBLES
ADAMS COUNTY, OHIO**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Proprietary Fund Types	Fiduciary Fund Types	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts:			
Charges for Services	\$ 683,564	\$ -	\$ 683,564
Total Operating Cash Receipts	683,564	-	683,564
Operating Cash Disbursements:			
Personal Services	303,598	-	303,598
Contractual Services	87,495	-	87,495
Supplies and Materials	254,587	-	254,587
Other	2,028	-	2,028
Total Operating Cash Disbursements	647,708	-	647,708
Operating Income	35,856	-	35,856
Non-Operating Cash Receipts:			
Earnings on Investments	144	-	144
Other Non-Operating Receipts	-	37,887	37,887
Total Non-Operating Cash Receipts	144	37,887	38,031
Non-Operating Cash Disbursements:			
Debt Service - Principal	36,940	-	36,940
Debt Service - Interest	45,380	-	45,380
Other Non-Operating Cash Disbursements	-	37,174	37,174
Total Non-Operating Cash Disbursements	82,320	37,174	119,494
Excess of Receipts Over (Under) Disbursements Before Interfund Transfers	(46,320)	713	(45,607)
Transfers-In	78,949	-	78,949
Transfers-Out	(78,949)	-	(78,949)
Net Receipts Over (Under) Disbursements	(46,320)	713	(45,607)
Fund Cash Balances, January 1	284,794	1,422	286,216
Fund Cash Balances, December 31	\$ 238,474	\$ 2,135	\$ 240,609

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF PEEBLES
ADAMS COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2007 and 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Peebles, Adams County, Ohio, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly elected, six-member Council directs the Village. The Village provides water and sewer utilities, and police and fire services.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash Deposits

The Village has interest bearing checking accounts for all deposited funds.

D. Fund Accounting

The Village uses fund accounting to segregate cash deposits that are restricted as to use. The Village classifies its funds into the following types:

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

Police Levy Fund - This fund's income is derived from taxes levied by the Village to pay the salaries of Village police officers.

**VILLAGE OF PEEBLES
ADAMS COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2007 and 2006
(continued)**

Fire Levy Fund - This fund receives local taxes and revenues from contracts with other political subdivisions to provide fire protection services.

3. Enterprise Funds

These funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The Village had the following significant Enterprise Funds:

Water Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Sewer Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Water Reserve Fund – Accounts for the debt service activities of the Water Fund.

Sewer Reserve Fund – Accounts for the debt service activities of the Sewer Fund.

4. Fiduciary Fund (Agency Fund)

Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following Fiduciary Fund:

Mayor's Court – This agency fund receives fines due the Village collected by the Mayor's Court.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year-end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

**VILLAGE OF PEEBLES
ADAMS COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2007 and 2006
(continued)**

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year-end are carried over, and need not be re-appropriated.

A summary of 2007 and 2006 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused vacation and sick leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

H. Total Columns on Financial Statements

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund type eliminations have not been made in the aggregation of this data.

2. EQUITY IN POOLED CASH AND DEPOSITS

The Village maintains a cash pool used by all funds. The Ohio Revised Code prescribes allowable deposits. The carrying amount of cash at December 31 was as follows:

	2007	2006
Deposits:		
Demand deposits	\$502,890	\$440,728
Total deposits	\$502,890	\$440,728

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation or (2) collateralized by the financial institution's public entity deposit pool.

**VILLAGE OF PEBBLES
ADAMS COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2007 and 2006
(continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2007 and 2006 follows:

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 263,000	\$ 259,824	\$ (3,176)
Special Revenue	208,000	237,753	29,753
Enterprise	854,668	843,016	(11,652)
Total	\$ 1,325,668	\$ 1,340,593	\$ 14,925

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 263,000	\$ 246,897	\$ 16,103
Special Revenue	203,000	218,741	(15,741)
Enterprise	843,868	813,140	30,728
Total	\$ 1,309,868	\$ 1,278,778	\$ 31,090

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 300,000	\$ 226,714	\$ (73,286)
Special Revenue	224,200	319,106	94,906
Enterprise	760,008	762,657	2,649
Total	\$ 1,284,208	\$ 1,308,477	\$ 24,269

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 300,000	\$ 237,167	\$ 62,833
Special Revenue	201,800	280,393	(78,593)
Enterprise	758,248	808,977	(50,729)
Total	\$ 1,260,048	\$ 1,326,537	\$ (66,489)

**VILLAGE OF PEEBLES
ADAMS COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2007 and 2006
(continued)**

4. COMPLIANCE

- Contrary to Ohio Rev. Code Section 5705.41(B) the following funds had expenditures which exceeded appropriations:

<u>Year/Fund</u>	<u>Appropriations</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
<i>2006</i>			
Street	\$60,000	\$61,485	(\$1,485)
State Highway	-	754	(754)
Drug Law Enforcement	900	914	(14)
Permissive Motor Vehicle	18,000	71,330	(53,330)
Fire	80,000	102,085	(22,085)
Police Wages	42,900	43,825	(925)
Water Operating	390,000	431,794	(41,794)
Sewer Operating	285,000	299,804	(14,804)
Sewer Reserve	25,000	26,103	(1,103)
Consumer Deposit	2,000	2,028	(28)
<i>2007</i>			
Street	57,000	69,559	(12,559)
State Highway	3,500	11,745	(8,245)
Fire	80,000	97,355	(17,355)
Sewer Operations	340,000	344,578	(4,578)
Sewer Escrow	-	5,500	(5,500)
Consumer Deposit	1,500	1,900	(400)

- Contrary to Ohio Rev. Code, Section 5705.41 (D), 93 percent of the expenditures tested did not contain the appropriate certification for the availability of funds and were not properly encumbered prior to incurring the obligation.

5. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

**VILLAGE OF PEEBLES
ADAMS COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2007 and 2006
(continued)**

6. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS are cost sharing, multiple-employer plans. The Ohio Revised Code prescribes the plans' retirement benefits, including postretirement healthcare and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

The Ohio Revised Code also prescribes contribution rates. For 2007 and 2006, OP&F participants contributed 10 percent of their wages. The Village contributed an amount equal to 19.5 percent of police participant wages. PERS members contributed 9.5 and 9.0 percent of their wages, respectively, for 2007 and 2006, while the Village contributed an amount equal to 13.85 and 13.70 percent, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2007.

7. DEBT

Debt outstanding at December 31, 2007 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority #3103	\$37,210	5.77%
Ohio Water Development Authority #2841	47,932	2.00%
VCIF Loan	2,450	0.00%
OPWC Sewer Line Rehab Loan #C019C	37,500	0.00%
General Obligation Bond	9,000	5.75%
Mortgage Revenue Bonds	791,800	5.00%
Ohio Water Development Authority #4106	20,000	0.00%
Ohio Water Development Authority #3922	48,937	2.00%
Real Estate Bonds	84,000	6.00%
Ohio Water Development Authority #4606	14,895	0.00%
Total	<u>\$1,093,724</u>	

The Village was awarded an Ohio Water Development Authority Loan #3103 in the amount of \$57,267. Proceeds from the loan were used to finance sewer system improvements. The Village is making semi-annual payments of \$2,191 with the final payment due July 1, 2019.

The Village was awarded an Ohio Water Development Authority Loan #5841 in the amount of \$109,162. Proceeds from the loan were used to finance sewer system improvements. The Village is making semi-annual payments of \$2,796 with the final payment due January 1, 2017.

The VCIF loan was awarded by the Ohio Water Development Authority to the Village in the amount of \$25,000. Proceeds from the loan were used to perform an I&I study to detect problems in water and sewer lines in order to meet EPA regulations.

The Village was awarded an Ohio Public Works Commission Loan #C019C in the amount of \$50,000. Proceeds from the loan were used to finance water collection system improvements. The Village is making semi-annual payments of \$1,250 with the final payment due January 1, 2023.

**VILLAGE OF PEBBLES
ADAMS COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2007 and 2006
(continued)**

The Village issued general obligation bonds to build a new building to house the Village fire department. The original bond was for \$25,000. Annual payments vary according to the repayment schedule.

The Village issued mortgage revenue bonds to expand water lines and to build a new wastewater treatment plant. The original bonds were for \$1,050,000. Annual payments vary according to the repayment schedule.

The Village was awarded an Ohio Water Development Authority Loan #4106 in the amount of \$25,000. Proceeds from the loan were used to finance engineering plans for improvements to the wastewater treatment system. The Village is making semi-annual payments of \$2,500 with the final payment due July 1, 2015.

The Village was awarded an Ohio Water Development Authority Loan #3922 in the amount of \$55,102. Proceeds from the loan were used to finance improvements to the Nixon Avenue water lines. The Village is making semi-annual payments of \$1,406 with the final payment due January 1, 2029.

The Village issued Real Estate Acquisition and Improvement Bonds in the amount of \$84,000 on September 1, 2006 for the acquisition and improvement of real estate. Annual payments vary according to the repayment schedule. A final balloon payment of \$74,338 will be due in 2011.

The Ohio Water Development Authority Loan #4606 was approved in 2007 for \$27,081 for wastewater design. As of December 31, 2007, \$14,895 of the loan had been disbursed by OWDA. The loan interest rate is 0% and will require semi-annual payments for 10 years in an amount to be determined once the loan amount is finalized.

Amortization of the above debt, including interest, is scheduled below. Amortization of the Ohio Water Development Authority Loan #4606 is not reflected below as a final payment schedule has not been established due to the interim nature of the project.

**VILLAGE OF PEEBLES
ADAMS COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2007 and 2006
(continued)**

Year Ending December 31:	OWDA Loan #3103	OWDA Loan #2841	VCIF Loan	OPWC Loan #C019C	GO Bond	Mortgage Rev Bonds
2008	\$4,382	\$5,591	\$2,450	\$2,500	\$2,118	\$61,990
2009	4,382	5,591	-	2,500	2,026	62,170
2010	4,382	5,591	-	2,500	2,034	62,085
2011	4,382	5,591	-	2,500	1,936	62,045
2012	4,382	5,591	-	2,500	1,938	62,145
2013 – 2017	21,912	25,160	-	12,500	635	310,390
2018 – 2022	8,764	-	-	12,500	-	310,555
2023 – 2027	-	-	-	-	-	310,305
2028 – 2030	-	-	-	-	-	52,880
	<u>\$52,586</u>	<u>\$53,115</u>	<u>\$2,450</u>	<u>\$37,500</u>	<u>\$10,687</u>	<u>\$1,294,565</u>

Year Ending December 31:	OWDA Loan #4106	OWDA Loan #3922	Real Estate Bonds
2008	\$2,500	\$2,812	\$7,385
2009	2,500	2,812	7,359
2010	2,500	2,812	7,367
2011	2,500	2,812	78,036
2012	2,500	2,812	-
2013 - 2017	7,500	14,060	-
2018 - 2022	-	14,060	-
2023 - 2027	-	14,060	-
2028 - 2030	-	4,218	-
	<u>\$20,000</u>	<u>\$60,458</u>	<u>\$100,147</u>

8. TRANSFERS

Transfers out of enterprise funds were made from operating funds to other enterprise funds established for the retirement of debt.

9. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Errors and omissions

The Village also provides health insurance and dental and vision coverage to full-time employees through a private carrier.

Bastin & Company, LLC

Certified Public Accountants

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Honorable Members of Village Council
Village of Peebles
34 South Nixon
Peebles, Ohio 45660

We have audited the accompanying financial statements of the Village of Peebles, Adams County, Ohio (the Village), as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated September 9, 2008, wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting practices the Auditor of State prescribes such that there is more than a remote likelihood that a misstatement of Village's financial statements that is more than inconsequential will not be prevented or detected by the Village's internal control. We consider the deficiency described in the accompanying schedule of findings as 2007-01 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiency described above is a material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings as item 2007-02 and 2007-03.

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Village's responses and, accordingly, express no opinion on them.

This report is intended solely for the information and use of management, Village Council and Auditor of State and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Bastin & Company, LLC". The signature is written in black ink on a light-colored background.

Cincinnati, Ohio
September 9, 2008

**VILLAGE OF PEEBLES
ADAMS COUNTY, OHIO
SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006**

FINDING NUMBER 2007-01

Significant Deficiency/Material Weakness

In May of 2006, the American Institute of Certified Public Accountants (AICPA), the national professional organization for certified public accountants, issued its Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters Identified in an Audit*.

SAS No. 112 establishes standards, responsibilities and guidance for auditors during a financial statement audit engagement for identifying and evaluating a client's internal control over financial reporting. This standard requires the auditor to report in writing to management and the governing body any control deficiencies found during the audit that are considered significant deficiencies and/or material weaknesses. SAS No. 112 lists specific control deficiencies that should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control. One of those deficiencies, applicable to the Village relates to audit adjustments. The following adjustments were made as a result of audit:

In years prior to 2006, the Village utilized the UAN accounting system as its accounting system to process, record and report its activities. During 2006 and 2007, the Village abandoned the use of the UAN system and reverted to a manual ledger set of books.

In order to produce financial reports to file draft statements with the State as required by the Ohio Revised Code, the Village hired a consultant to input year to date information into the UAN system via journal entries. The resulting UAN information was initially provided as a basis for the audit.

The audit disclosed that for both 2006 and 2007, data entered into the UAN system was materially incorrect for amounts recorded by revenue and expenditure line item, and in total. For example, all revenues in the General Fund for 2006 were classified as property taxes and expenditure data for enterprise funds were entered in estimated amounts by line item. Cash balances did not reconcile to bank accounts, debt proceeds and retirements were not properly recorded, and transfers in and out did not properly offset each other. In summary, the data entered into the UAN system did not properly represent the data maintained on the Village's manual ledger books.

As a result of these conditions, the financial statements produced by the UAN system and presented for audit were considered unreliable and were not utilized as a basis for the audit. A reconstruction of the Village's financial statements for 2006 and 2007 was performed from data maintained on the Village's manual ledgers.

The presentation of materially correct financial statements and the related footnotes is the responsibility of management. We recommend that the Village implement control procedures that enable management to identify, prevent, detect and correct potential misstatements in the financial statements and footnotes.

Village's Response

UAN will be used on a day-to-day basis going forward, which will eliminate the need for year end summary preparations and improve our financial reporting capabilities.

FINDING NUMBER 2007-02

Noncompliance Citation

Ohio Revised Code Section 5705.41 (B) states that no subdivision shall make any expenditure of money unless it has been lawfully appropriated.

Expenditures exceeded appropriations at the legal level of control in the following funds during 2006:

<u>Year/Fund</u>	<u>Appropriations</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
Street	\$60,000	\$61,485	\$(1,485)
State Highway	-	754	(754)
Drug Law Enforcement	900	914	(14)
Permissive Motor Vehicle	18,000	71,330	(53,330)
Fire	80,000	102,085	(22,085)
Police Wages	42,900	43,825	(925)
Water Operating	390,000	431,794	(41,794)
Sewer Operating	285,000	299,804	(14,804)
Sewer Reserve	25,000	26,103	(1,103)
Consumer Deposit	2,000	2,028	(28)

Expenditures exceeded appropriations at the legal level of control in the following funds during 2007:

<u>Year/Fund</u>	<u>Appropriations</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
Street	57,000	69,559	(12,559)
State Highway	3,500	11,745	(8,245)
Fire	80,000	97,355	(17,355)
Sewer Operations	340,000	344,578	(4,578)
Sewer Escrow	-	5,500	(5,500)
Consumer Deposit	1,500	1,900	(400)

Village's Response

The Village concurs with the citation and will use the UAN system to monitor budgetary data more closely in the future.

FINDING NUMBER 2007-03

Noncompliance Citation

Ohio Rev. Code, Section 5705.41(D), requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket

certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. “Then and Now” certificate - If the fiscal officer can certify that both at the time that the contract or order was made (“then”), and at the time that the fiscal officer is completing the certification (“now”), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the “then and now” certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.
2. Blanket Certificate - Fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate - The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The availability of funds was not certified prior to the time of commitment in 93% of expenditures tested in 2006 and 2007 (56 of 60), nor did the Village use the aforementioned exceptions. We recommend that the fiscal officer certify that funds are or will be available prior to obligation by the Village. When prior certification is not possible, “then and now” certification should be used.

Village’s Response

The Village concurs with the citation and will use the UAN system and blanket purchase order capabilities to ensure proper certification in the future.

**VILLAGE OF PEEBLES
ADAMS COUNTY, OHIO
SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2007 AND 2006**

Finding Number	Finding Summary	Fully Corrected?	Status Explanation
2005-001	Fiscal Officer certification noncompliance citation ORC, section 5705.41 (D)	No	Condition existed during current audit period, reissued as finding 2007-03.
2005-002	Appropriations exceeded estimated resources, noncompliance citation ORC section 5705.39	Yes	Corrected.
2005-003	Expenditures exceeded appropriations, noncompliance citation ORC section 5705.41 (B)	No	Condition existed during current audit period, reissued as finding 2007-02.



Mary Taylor, CPA
Auditor of State

VILLAGE OF PEEBLES

ADAMS COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 2, 2008**